



Award of Contract – Banking And Merchant Services

Committee Strategy & Programmes

Date of meeting 8 February 2019

Date of report 30 January 2019

Report by Assistant Chief Executive

1. Object of report

To request approval to award contracts for Banking Services (Lot 1) and Merchant Services (Lot 2). The contracts will be for an initial period of 3 years with the option to extend for a further 2.

2. Background

The core banking services covers all of SPT's operational banking needs, which allows the organisation to process and receive financial transactions on a daily basis. In addition to the normal transactional banking an element of the banking service covers a cash centre facility that handles the large amounts of cash that are generated predominantly from the Subway.

The merchant service facilitates SPT being able to process credit and debit card transactions, which again are predominantly through the Subway.

For information, Bank of Scotland is SPT's incumbent provider for banking and merchant services.

3. Outline of proposals

The Banking and Merchant Services Tender was issued through Public Contracts Scotland (PCS) and split into two lots covering each of the services. The lots were independent so each element could be awarded to a different bank / institution. The splitting of the service into lots was to try and ensure maximum competition as some banks do not provide merchant services and conversely some merchant providers are not directly associated with a particular bank.

For Lot One, Banking Services, three tender responses were received from leading banks that were all of a similar quality. The table below shows that overall evaluation and as can be seen the Bank of Scotland obtained the highest Most Economically Advantageous Tender (MEAT) score.

| Supplier name | Quality Score | Price Score | Total Price + Quality | Ranking |
|------------------------|---------------|-------------|-----------------------|---------|
| Bank of Scotland | 37 | 60 | 97 | 1 |
| Barclays | 38 | 50 | 88 | 2 |
| Royal Bank of Scotland | 40 | 47 | 87 | 3 |

For Lot Two, Merchant Services, only two tenders were received both with varying quality and price.

The differentials in quality predominantly related to web portal functionality, innovation and transition arrangements.

With regard to the price the Barclays price went through several rounds of clarification and the final clarified price is on a different basis to the Bank of Scotland's. The Barclays price has a greater element of risk surrounding it as it passes through actual scheme fees and interchange rates incurred rather than the provision of a fixed blended rate. In addition, the quote received does not price in the utilisation of non-uk cards, which attract higher rates and are currently utilised at the Subway.

The transition from the Bank of Scotland to another provider would also come at a price to the organisation due to the consequential certification and update required of the Subway Ticketing System. These costs have not been factored into the pricing scores.

| Supplier name | Quality Score | Price Score | Total Price + Quality | Ranking |
|------------------|---------------|-------------|-----------------------|---------|
| Bank of Scotland | 40 | 49 | 89 | 1 |
| Barclays | 28 | 60 | 88 | 2 |

Based on the combined quality and price evaluation, the proposed successful tenders for each lot are: -

Lot One - Banking Service, Bank of Scotland, £91,035 over 5 years

Lot Two – Merchant Services, Bank of Scotland, £422,633 over 5 years

The five year costs shown for both Banking and Merchant Services are estimates as the costs are driven by transaction volumes.

4. Conclusions

The tender submissions by Bank of Scotland for the provision of banking and merchant services were assessed as being the most economically advantageous, taking account of both quality and cost.

5. Committee action

The committee is recommended to approve the award of contract to:

- Bank of Scotland for Banking Services at an estimated 5 year cost of £91,035; and
- Bank of Scotland for Merchant Services at an estimated 5 year cost of £422,633.

6. Consequences

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|-------------------------|--|
| Policy consequences | <i>None.</i> |
| Legal consequences | <i>None.</i> |
| Financial consequences | <i>The estimated contract costs can be accommodated within the draft revenue budget for 2019/20.</i> |
| Personnel consequences | <i>None.</i> |
| Equalities consequences | <i>None.</i> |
| Risk consequences | <i>None.</i> |

Name Valerie Davidson

Title **Assistant Chief Executive**

Name Gordon Maclennan

Title **Chief Executive**

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